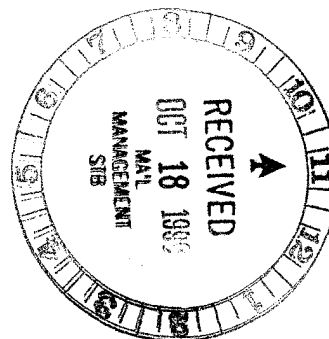


RECORDATION NO. 22496 FILED

OCT 28 '99

8-15AM

October 6, 1999



Mr. Vernon Williams
Secretary,
Surface Transportation Board
1925 K Street NW, Suite 700
Washington, D.C. 20423

Re: Texas Railcar Leasing Company, Inc.
Loan No. 20489

Dear Mr. Williams:

I have enclosed an original and one certified copy of the document described below to be recorded pursuant to Section 11303, Title 49 of the U.S. Code.

The document described is the Security Agreement, being the primary document, dated October 6, 1999. A description of the equipment covered by the document is as follows:

1. Six (6) 4,460 cubic feet covered top hopper railcars identified as follows:

TRLX45040	TRLX45061
TRLX45064	TRLX45087
TRLX45089	TRLX45097

2. Debtor's right, title and interest in and to Car Leasing Agreement No. 98/010040 (including Rider No. 004) between Texas Railcar Leasing Company, Inc. and Applied Industrial Materials Corporation, dated September 1, 1999.

A fee of \$26.00 is enclosed. Please return the original and any extra copies not needed by the Commission for recordation to Byron Calcote, Senior Vice President, McAllen National Bank, 1801 So. Col. Rowe Blvd., McAllen, Texas 78503.



MEMBER FDIC

McALLEN NATIONAL BANK

1801 SOUTH COL. ROWE BLVD. • P.O. BOX 5555

McALLEN, TEXAS 78502 • (956) 682-2265

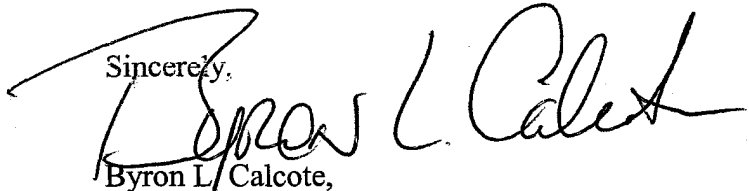
FAX NUMBER • (956) 972-5418

V. Williams
Page Two
October 6, 1999

A short summary of the document to appear in the index is as follows:

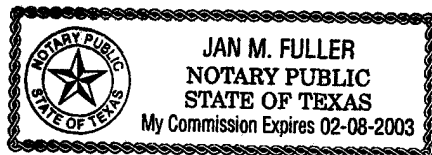
A Security Agreement by Texas Railcar Leasing Company, Inc., P.O. Box 1330, McAllen, Texas, dated September 1, 1999, covering six (6) 4,460 cubic feet covered top hopper railcars and Debtor's rights, title and interest in Car Leasing Agreement No. 98/010040, between Texas Railcar Leasing Company, Inc. and Applied Industrial Materials Corporation, dated September 1, 1999.

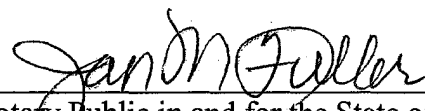
Sincerely,


Byron L. Calcote,
Senior Vice President

/jmf
Enclosures

This instrument was acknowledged before me on the 6th day of October, 1999 by Byron L. Calcote, Senior Vice President of McAllen National Bank, McAllen, Texas on behalf of said corporation.




Notary Public in and for the State of Texas



McALLEN NATIONAL BANK

1801 SOUTH COL. ROWE BLVD. • P.O. BOX 5555

McALLEN, TEXAS 78502 • (956) 682-2265

FAX NUMBER • (956) 972-5418

SECURITY AGREEMENT

OCT 28 '99

8-15AM

DATE OCTOBER 6, 1999

DEBTOR	TEXAS RAILCAR LEASING COMPANY, INC., A TEXAS CORPORATION	SECURED PARTY	MCALLEN NATIONAL BANK
BUSINESS OR RESIDENCE ADDRESS	P.O. BOX 1330	ADDRESS	1801 S. COL. ROWE BLVD.
CITY, STATE & ZIP CODE	MCALLEN, TX 78502	CITY, STATE & ZIP CODE	MCALLEN, TX 78503

1. **Security Interest and Collateral.** To secure the payment and performance of each and every debt, liability and obligation of every type and description which Debtor may now or at any time hereafter owe to Secured Party (whether such debt, liability or obligation now exists or is hereafter created or incurred, and whether it is or may be direct or indirect, due or to become due, absolute or contingent, primary or secondary, liquidated or unliquidated, or joint, several or joint and several; all such debts, liabilities and obligations being herein collectively referred to as the "Obligations"). Debtor hereby grants Secured Party a security interest (herein called the "Security Interest") in the following property (herein called the "Collateral") (check applicable boxes and complete information):

(a) INVENTORY:

☐ All inventory of Debtor, whether now owned or hereafter acquired and wherever located;

(b) EQUIPMENT, FARM PRODUCTS AND CONSUMER GOODS:

☐ All equipment of Debtor, whether now owned or hereafter acquired, including but not limited to all present and future machinery, vehicles, furniture, fixtures, manufacturing equipment, farm machinery and equipment, shop equipment, office and recordkeeping equipment, parts and tools, and the goods described in any equipment schedule or list herewith or hereafter furnished to Secured Party by Debtor (but no such schedule or list need be furnished in order for the security interest granted herein to be valid as to all of Debtor's equipment).

☐ All farm products of Debtor, whether now owned or hereafter acquired, including but not limited to (i) all poultry and livestock and their young, products thereof and produce thereof, (ii) all crops, whether annual or perennial, and the products thereof, and (iii) all feed, seed, fertilizer, medicines and other supplies used or produced by Debtor in farming operations. The real estate concerned with the above described crops growing or to be grown is:

and the name of the record owner is: _____

☒ The following goods or types of goods: _____

SEE SCHEDULE "A" ATTACHED HERETO AND MADE A PART HEREOF.

(c) ACCOUNTS AND OTHER RIGHTS TO PAYMENT:

☐ Each and every right of Debtor to the payment of money, whether such right to payment now exists or hereafter arises, whether such right to payment arises out of a sale, lease or other disposition of goods or other property by Debtor, out of a rendering of services by Debtor, out of a loan by Debtor, out of the overpayment of taxes or other liabilities of Debtor, or otherwise arises under any contract or agreement, whether such right to payment is or is not already earned by performance, and howsoever such right to payment may be evidenced, together with all other rights and interests (including all liens and security interests) which Debtor may at any time have by law or agreement against any account debtor or other obligor obligated to make any such payment or against any of the property of such account debtor or other obligor; all including but not limited to all present and future debt instruments, chattel papers, accounts, and loans and obligations receivable.

☐

(d) GENERAL INTANGIBLES:

☐ All general intangibles of Debtor, whether now owned or hereafter acquired, including, but not limited to, applications for patents, patents, copyrights, trademarks, trade secrets, good will, tradenames, customer lists, permits and franchises, the right to use Debtor's name, and tax refunds.

together with all substitutions and replacements for and products of any of the foregoing property not constituting consumer goods and together with proceeds of any and all of the foregoing property and, in the case of all tangible Collateral, together with all accessions and, except in the case of consumer goods, together with (i) all accessories, attachments, parts, equipment and repairs now or hereafter attached or affixed to or used in connection with any such goods, and (ii) all warehouse receipts, bills of lading and other documents of title now or hereafter covering such goods.

2. **Representations, Warranties and Agreements.** Debtor represents, warrants and agrees that:

(a) Debtor is ☐ an individual, ☐ a partnership, ☒ a corporation and, if Debtor is an individual, the Debtor's residence is at the address of Debtor shown at the beginning of this Agreement.

(b) The Collateral will be used primarily for ☐ personal, family or household purposes; ☐ farming operations; ☒ business purposes.

(c) ☐ If any part or all of the tangible Collateral will become so related to particular real estate as to become a fixture, the real estate concerned is: _____

and the name of the record owner is: _____

(d) Debtor's chief executive office is located at _____ or, if left blank, at the address of Debtor shown at the beginning of this Agreement.

THIS AGREEMENT CONTAINS ADDITIONAL PROVISIONS SET FORTH ON PAGE 2 OF THIS DOCUMENT, ALL OF WHICH ARE MADE A PART HEREOF.

By BYRON L. CALCOTE
Title: SENIOR VICE PRESIDENT

By Henry Wallace
Title: PRESIDENT

I certify that this is a true and correct copy of the original.

By _____
Title: _____

ADDITIONAL PROVISIONS

3. Additional Representations, Warranties and Agreements. Debtor represents, warrants and agrees that:

(a) Debtor has (or will have at the time Debtor acquires rights in Collateral hereafter arising) absolute title to each item of Collateral free and clear of all security interests, liens and encumbrances, except the Security Interest, and will defend the Collateral against all claims or demands of all persons other than Secured Party. Debtor will not sell or otherwise dispose of the Collateral or any interest therein without the prior written consent of Secured Party, except that, until the occurrence of an Event of Default and the revocation by Secured Party of Debtor's right to do so, Debtor may sell any inventory constituting Collateral to Buyers in the ordinary course of business and use and consume any farm products constituting Collateral in Debtor's farming operations. If Debtor is a corporation, this Agreement has been duly and validly authorized by all necessary corporate action, and, if Debtor is a partnership, the partner(s) executing this Agreement has (have) authority to act for the partnership.

(b) Debtor will not permit any tangible Collateral to be located in any state (and, if county filing is required, in any county) in which a financing statement covering such Collateral is required to be, but has not in fact been, filed in order to perfect the Security Interest.

(c) Each right to payment and each instrument, document, chattel paper and other agreement constituting or evidencing Collateral is (or will be when arising or issued) the valid, genuine and legally enforceable obligation, subject to no defense, set-off or counterclaim (other than those arising in the ordinary course of business) of the account debtor or other obligor named therein or in Debtor's records pertaining thereto, to be being obligated to pay such obligation (or will be being obligated to pay such obligation) without Secured Party's consent, and will not subordinate any such right to payment to claims of any creditors of such account debtor or other obligor.

(d) Debtor will (i) keep all tangible Collateral in good repair, working order and condition, normal depreciation excepted, and will, from time to time, replace any worn, broken or defective parts thereof; (ii) promptly pay all taxes and other governmental charges levied or assessed upon or against any Collateral or upon or against the creation, perfection or continuance of the Security Interest; (iii) keep all Collateral free and clear of all security interests, liens and encumbrances except the Security Interest; (iv) at all reasonable times, permit Secured Party or its representatives to examine or inspect any Collateral, wherever located, and to examine, inspect and copy Debtor's books and records pertaining to the Collateral and its business and financial condition and to send and discuss with account debtors and other obligors requests for verifications of amounts owed to Debtor; (v) keep accurate and complete records pertaining to the Collateral and pertaining to Debtor's business and financial condition and submit to Secured Party such periodic reports concerning the Collateral and Debtor's business and financial condition as Secured Party may from time to time reasonably request; (vi) promptly notify Secured Party of any loss of or damage to any Collateral, whether by fire, theft, collision, or otherwise, and immediately deliver or endorse to Secured Party all instruments, documents, chattel paper, or account constituting Collateral; (vii) if Secured Party at any time so requests (whether the request is made before or after the occurrence of an Event of Default), promptly deliver to Secured Party any instrument, document or chattel paper constituting Collateral, duly endorsed or assigned by Debtor; (viii) at all times keep all tangible Collateral insured against risks of fire (including so-called extended coverage), theft, collision (in case of Collateral consisting of motor vehicles) and such other risks and in such amounts as Secured Party may reasonably request, with any loss payable to Secured Party to the extent of its interest; (ix) from time to time execute such financing statements as Secured Party may reasonably require in order to perfect the Security Interest and, if any Collateral consists of a motor vehicle, execute such documents as may be required to have the Security Interest properly noted on a certificate of title; (x) pay when due or reimburse Secured Party on demand for all costs of collection of any of the Obligations and all other out-of-pocket expenses (including in each case all reasonable attorneys' fees) incurred by Secured Party in connection with the creation, perfection, satisfaction, protection, defense or enforcement of the Security Interest or the collection of any of the Obligations; (xi) defend, settle, compromise, agree to settle, defend, settle, compromise, agree to settle, litigate, incur litigation, bankruptcy or insolvency proceedings; (xii) execute, deliver or endorse and all instruments, documents, assignments, security agreements and other agreements and writings which Secured Party may at any time reasonably request in order to secure, protect, perfect or enforce the Security Interest and Secured Party's rights under this Agreement; (xiii) not use or keep any Collateral, or permit it to be used or kept, for any unlawful purpose or in violation of any federal, state or local law, statute or ordinance; and (xiv) not permit any tangible Collateral, to become part of or to be affixed to any real property without first assuring to the reasonable satisfaction of Secured Party that the Security Interest will be prior and senior to any interest or lien then held or thereafter acquired by any mortgagee of such real property or the owner or purchaser of any interest therein. If Debtor at any time fails to perform or observe any agreement contained in this Section 3(d), and if such failure results in a default under the Agreement, Debtor shall be deemed to have violated the provisions of the covenants, conditions and warranties set forth in clauses (viii) and (ix) of this Section 3(d). Immediately upon the occurrence of such failure, without notice or lapse of time, Secured Party may (but need not) perform or observe such agreement on behalf and in the name, place and stead of Debtor (or, at Secured Party's option, in Secured Party's own name) and may (but need not) take any and all other actions which Secured Party may reasonably deem necessary to cure or correct such failure (including, without limitation, the payment of taxes, the satisfaction of security interests, liens, or encumbrances, the performance of obligations under contracts or agreements with account debtors or other obligors, the procurement and maintenance of insurance, the execution of financing statements, the endorsement of instruments, and the procurement of repairs, transportation or insurance); and, except to the extent that the effect of such payment would be to render any loan or forbearance of money usurious or otherwise illegal under any applicable law, Debtor shall thereupon pay Secured Party on demand the amount of all moneys expended and all costs and expenses (including reasonable attorney's fees) incurred by Secured Party, in connection with or as a result of Secured Party's performing or observing any such agreement or obligation. To facilitate the performance or observance by Secured Party of such agreements of Debtor, Debtor hereby irrevocably appoints (which appointment is coupled with an interest) Secured Party, or its delegate, as the attorney-in-fact of Debtor with the right (but not the duty) from time to time to create, prepare, complete, execute, deliver, endorse or file, in the name and on behalf of Debtor, any and all instruments, documents, financing statements, applications for insurance and other agreements and writings required to be obtained, executed, delivered or endorsed by Debtor under this Section 3 and Section 4.

(e) If this agreement covers farm products Debtor will provide Secured Party a written list of the buyers, commission merchants or selling agents to or through whom Debtor may sell his farm products. In this paragraph the terms farm products, buyers, commission merchants and selling agents have the meanings given to them in the Federal Food Security Act of 1985.

4. **Lock Box, Collateral Account.** If Secured Party so requests at any time (whether before or after the occurrence of an Event of Default), Debtor will direct each of its account debtors to make payments due under the relevant account or chattel paper directly to a special lock box to be under the control of Secured Party. Debtor hereby authorizes and directs Secured Party to deposit into said collateral account to be established and maintained with Secured Party all checks, drafts and cash payments received and cashed by lock box. All deposits in said collateral account shall constitute proceeds of the account and shall not be subject to any Obligation of Debtor. Secured Party may, at any time, apply to the court to collect and/or apply to the court to require said collateral account to the payment of the Obligations in such order of application as Secured Party may determine, or permit Debtor to withdraw all or any part of the balance on deposit in said collateral account. If a collateral account is so established, Debtor agrees that it will promptly deliver to Secured Party, for deposit into said collateral account, all payments received by Debtor and that paper received by Debtor, and such payments shall be delivered to Secured Party in the form received except for Debtor's endorsement, if necessary. Until so deposited, all payments on account or on chattel paper received by Debtor shall be held in trust by Debtor for and as the property of Secured Party and shall not be commingled with any funds or property of Debtor.

5. **Collection Rights of Secured Party.** Notwithstanding Secured Party's rights under Section 4 with respect to any and all debt instruments; chattel papers, accounts, and other rights to payment constituting Collateral (including proceeds), Secured Party may at any time (both before and after the occurrence of an Event of Default) notify any account debtor, or any other person obligated to pay any amount due, that such chattel paper, account, or other right to payment has been assigned or transferred to Secured Party for security and shall be paid directly to Secured Party. If Secured Party so requests at any time, Debtor will so notify such account debtors and other obligors in writing and will indicate on all invoices to such account debtors or other obligors that the amount due is payable to Secured Party. At any time that Secured Party or Debtor gives such notice to an account debtor or other obligor, Secured Party may (but need not), in its own name or in Debtor's name, demand, or collect, or sue for or receive on account of, or secure any, or otherwise enforce, any such account debt or, or such chattel paper, account, or other right to payment, or grant any extension to, make any compromise or settlement with or otherwise agree to waive, modify, amend or change the obligations (including collateral obligations) of any such account debtor or other obligor.

6. Assignment of Insurance. Debtor hereby assigns to Secured Party, as additional security for the payment of the Obligations, any and all moneys (including but not limited to proceeds of insurance and refund of unearned premiums) due or to become due under and all other rights of Debtor under or with respect to any and all policies of insurance covering the Collateral, and Debtor hereby directs the issuer of any such policy to pay any such moneys directly to Secured Party. Both before and after the occurrence of an Event of Default, Secured Party may (but need not), in its own name or in Debtor's name, execute and deliver proofs of claim, receive all such moneys, endorse checks and other instruments representing payment of such moneys, and adjust, litigate, compromise or release any claim against the issuer of any such policy.

7. **Events of Default.** Each of the following occurrences shall constitute an event of default under this Agreement (herein called "Event of Default"): (i) Debtor shall fail to pay any or all of the Obligations when due or (if payable on demand) on demand, or shall fail to observe or perform any covenant or agreement herein binding on it; (ii) any representation or warranty by Debtor set forth in this Agreement or made to Secured Party in any financial statements or reports submitted to Secured Party by or on behalf of Debtor shall prove materially false or misleading; (iii) a garnishment, summons or a writ of attachment shall be issued against or served upon the Secured Party for the attachment of any property of the Debtor or any indebtedness owing to Debtor; (iv) Debtor or any guarantor of any Obligation shall (A) be or become insolvent (however defined); or (B) voluntarily file, or have filed against it involuntarily, a petition under the United States Bankruptcy Code; or (C) if a corporation, partnership, or organization, be dissolved or liquidated or, if a partnership, suffer the death of a partner or, if an individual, die; or (D) go out of business; (v) Secured Party shall in good faith believe that the prospect of due and punctual payment of any or all of the Obligations is impaired.

8. Remedies upon Event of Default. Upon the occurrence of an Event of Default under Section 7 and at any time thereafter, Secured Party may exercise any one or more of the following rights and remedies: (i) declare all unsecured Obligations to be immediately due and payable, and the same shall thereupon be immediately due and payable, without presentment or other notice or demand; (ii) exercise and enforce any or all rights and remedies available upon default to a secured party under the Uniform Commercial Code, including but not limited to the right to take possession of any Collateral, proceeding without judicial process and without notice or demand; (iii) take possession of any Collateral, including but not limited to the right to take possession of any Collateral, in whole or in part, all of the Collateral, and in connection therewith, Secured Party may require Debtor to make the Collateral available to Secured Party at a place to be designated by Secured Party which is reasonably convenient to both parties, and if notice to Debtor of any intended disposition of Collateral or any other intended action is given in the manner specified in Section 10C at least ten (10) calendar days prior to the date of intended disposition or other action; (iii) exercise and enforce any or all rights and remedies available upon default to a secured party under the agreement against the Collateral, against Debtor or against any other person or property. Upon the occurrence of the Event of Default described in Section 7(v)(B), all Obligations shall be immediately due and payable without demand or notice thereof. Secured Party is hereby granted a nonexclusive, worldwide and exclusive license in all trademarks, trade secrets, franchises, copyrights and patents of Debtor that Secured Party deems necessary or appropriate to the disposition of any Collateral.

9. **Other Personal Property.** Unless at the time Secured Party takes possession of any tangible Collateral, or within seven days thereafter, Debtor gives written notice to Secured Party of the existence of any goods, papers or other property of Debtor, not affixed to or constituting a part of such Collateral, but which are located or found upon or within such Collateral, describing such property, Secured Party shall not be responsible or liable to Debtor for any action taken or omitted by or on behalf of Secured Party with respect to such property without actual knowledge of the existence of any such property or without actual knowledge that it was located or to be found upon or within such Collateral.

10. **Miscellaneous.** This Agreement does not contemplate a sale of accounts, or chattel paper. Debtor agrees that each provision whose box is checked is part of this Agreement. This Agreement can be waived, modified, amended, terminated or discharged, and the Security Interest can be released, only explicitly in a writing signed by Secured Party. A waiver signed by Secured Party shall be effective only in the specific instance and for the specific purpose given. Mere delay or failure to act shall not preclude the exercise or enforcement of any of Secured Party's rights or remedies. All rights and remedies of Secured Party shall be cumulative and may be exercised singularly or concurrently, at Secured Party's option, and the exercise or enforcement of any one such right or remedy shall not preclude the exercise or enforcement of any other such right or remedy. Delivery of this Agreement by registered or certified mail, postage prepaid, to Debtor at its address set forth above shall be deemed sufficiently given if delivered or mailed by registered or certified mail, postage prepaid, to Debtor at its address set forth above. Secured Party's duty of care with respect to Collateral in its possession (as imposed by law) shall be deemed fulfilled if Secured Party exercises reasonable care in physically safeguarding such Collateral or, in the case of Collateral in the custody or possession of a bailee or other third person, exercises reasonable care in the selection of the bailee or other third person, and Secured Party need not otherwise preserve, protect, insure or care for any Collateral. Secured Party shall not be liable for loss of or damage to Collateral, including loss of or damage to proceeds of Collateral, in any particular order of application of this Agreement's binding effect, whether or not such loss or damage is caused by the negligence of respective heirs, representatives, successors and assigns and shall take effect when signed by Debtor and delivered to Secured Party, and Debtor waives notice of Secured Party's acceptance hereof. Secured Party may execute this Agreement if appropriate for the purpose of filing, but the failure of Secured Party to execute this Agreement shall not affect or impair the validity or effectiveness of this Agreement. A carbon, photographic or other reproduction of this Agreement or of any instrument created or signed by Secured Party shall be given the same force and effects as the original for all purposes of a financing statement. This Agreement shall be governed by the laws of the state in which it is executed, and the law of that state shall govern the construction of this Agreement, and the enforceability of this Agreement shall not affect other provisions or applications which can be given effect, and this Agreement shall be construed as if the unlawful or unenforceable provision or application had never been contained herein or prescribed hereby. All representations and warranties contained in this Agreement shall survive the execution, delivery and performance of this Agreement and the creation and payment of the Obligations. If this Agreement is signed by more than one person, the Obligations shall refer to each of them separately and to both or all of them jointly; all such persons shall be bound both severally and jointly with the other(s); and the Obligations shall refer to each of them separately and to both or all of them jointly. If this Agreement is signed by one person jointly with the other(s), and the Obligations shall refer to each of them separately and to both or all of them jointly. If this Agreement is signed by one person jointly with the other(s) and all Debtors jointly or severally, and all property described in Section 1 shall be included as part of the Collateral, whether it is owned jointly by both or all Debtors or is owned in whole or in part by one (or more) of them.

SCHEDULE A

1. All inventory, raw materials, work in process or materials used or consumed in debtor's business, whether now owned or hereafter acquired, and all products thereof, whether in the possession of the debtor, warehouseman, bailee or any other person, together with all proceeds including accounts receivable and notes; including, but not limited, to six (6) 4,460 cubic feet covered top hopper railcars identified as follows:

TRLX45040
TRLX45087

TRLX45061
TRLX45089

TRLX45064
TRLX45097

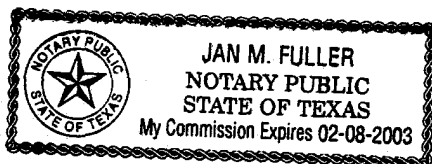
2. Debtor's rights, title and interest in and to Car Leasing Agreement No. 98/010040 (including Rider No. 0004) between Texas Railcar Leasing Company, Inc. and Applied Industrial Materials Corporation, dated September 1, 1999.

Texas Railcar Leasing Company, Inc.

By: _____

Henry Novell
Henry Novell, President

This instrument was acknowledged before me on the 6th day of October, 1999 by Byron L. Calcote, Senior Vice President of McAllen National Bank, McAllen, Texas on behalf of said corporation.



Jan M. Fuller
Notary Public in and for the State of Texas